

City of Mesa

FY 2013/14 Budget Update

May 20, 2013

Presented by the Office of Management and Budget



Multi-year Forecast

- Revenues and Expenditures are estimated for the current fiscal year and forecasted over five to eight years

Projects related to the Capital Improvement Program are projected over ten years

Actual revenues and expenditures are reviewed each month and assessed for impact on the forecast

- Unrestricted fund balances are managed according to the City's adopted financial policies.

Fund balance (reserves) as a percent of the following fiscal year's estimated costs are maintained above 8% for each year of the forecast period

Ongoing expenses are identified and funded with on-going revenues

The General Fund



General Update

- Local sales tax is showing some strengthening, however the most significant increase is in the contracting category (\$1.1M).

Contracting sales tax has the greatest volatility. The forecast assumes a base level of construction activity each year. Activity greater than the base is considered one-time revenue.

State legislation is still pending regarding contracting sales tax. The City will continue to track the movement in this area.

- City departments have been asked to manage the FY 13/14 budget to achieve \$6.0M in general fund savings. This savings has been included in the forecast.

FY 13/14 Budget Summary

- \$8.5M is required to maintain our reserves at the targeted level over the forecast period.
- The cost to maintain the City's compensation plan (step pay) in FY 13/14 is \$3.5M.
- Departments have requested additional budget items. The City Manager recommends funding a minimum number of requests totaling \$3.4M.

Potential Solutions: On-going

Various potential solutions have been identified previously. The recommended solution package includes the following items.

- The enterprise fund transfer has been maintained at the same level for five years. The transfer is a significant resource for the general fund and therefore public safety. Staff recommends increasing the enterprise fund transfer by \$6.4M for a total transfer of \$90.0M.
- Staff recommends providing debt service relief to the general fund by covering \$2.2M in scheduled debt service payments with the debt service fund. The resource for the debt service fund is the secondary property tax levy. This would leave \$8.6M of debt service covered by the general fund in FY 13/14.

Potential Solutions: On-going (continued)

- The Municipal Court recommended a new technology and sustainability fee which will fund technology needs of the court as well as offset existing costs of municipal security related to the court. The fee would fund the Court's budget requests as well as have a savings impact to the general fund. The total revenue estimate is \$0.9M.

Potential Solutions: One-time

The Employee Benefit Trust Fund balance improved in FY 11/12, providing some relief to the scheduled medical premium increases. Staff recommends drawing down the fund balance over the next two years to allow for decreased costs to both the City and employees.

Implement a premium holiday in December, 2013. City savings of \$3.6M total and **\$2.5M** in the General Fund. Total employee savings of \$1.1M.

Hold medical premiums at current levels for 2014. Reduction in expenses for the City of **\$0.4M** in FY 13/14 and \$0.8M annualized. Employees scheduled increases will also be avoided.

Schedule a 2015 contribution increase of 5% rather than the 9% cost increase currently predicted by the City's consultant.

Solution Summary

The recommended solution package provides for a balanced budget while maintaining the targeted reserve fund balance over the forecast period.

The Enterprise Fund



Overview

The refinancing of existing debt service in FY 11/12 allowed the City to forego utility rate increases in FY 12/13. The projected length of the recovery from the recession is longer and slower than expected. It is necessary to implement minimum utility rate adjustments in FY 13/14 in order to maintain the targeted fund balance over the course of the forecast.

Forecasts Comparison

SPRING 2011 FORECAST

	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16
ELECTRIC	0.0%	1.6%	1.6%	1.6%	1.6%
GAS	2.5%	2.5%	2.5%	2.5%	1.0%
WATER	6.8%	6.8%	6.8%	6.8%	6.8%
WASTEWATER	5.8%	5.8%	5.8%	5.8%	5.8%
SOLID WASTE	0.0%	1.4%	1.4%	1.4%	1.4%

SPRING 2013 FORECAST

	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17
ELECTRIC	0.0%	0.0%	0.0%	2.0%	2.0%	2.0%
GAS	2.5%	0.0%	0.0%	3.0%	3.0%	3.0%
WATER	6.8%	0.0%	2.0%	4.9%	4.9%	2.0%
WASTEWATER	5.8%	0.0%	2.0%	4.9%	4.9%	2.0%
SOLID WASTE	0.0%	0.0%	2.0%	4.9%	4.9%	2.0%

Average Residential Homeowner Impact

Impact to Monthly Bill

Average Residential Homeowner

	Current Monthly Bill	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18
Water	\$38.21	\$0.76	\$1.91	\$2.00	\$0.86	\$1.01
Wastewater	\$25.03	\$0.50	\$1.25	\$1.31	\$0.56	\$0.66
Solid Waste	\$23.88	\$0.48	\$1.19	\$1.25	\$0.54	\$0.63
Avg Homeowner	\$87.12	\$1.74	\$4.35	\$4.57	\$1.96	\$2.29
Electric	\$44.80	\$0.00	\$0.90	\$0.91	\$0.93	\$0.95
Gas	\$24.10	\$0.00	\$0.72	\$0.74	\$0.77	\$0.79

